

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Dallas Township	County Clinton
Fiscal Year End 03/31/06	Opinion Date 07/25/06	Date Audit Report Submitted to State 9/15/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

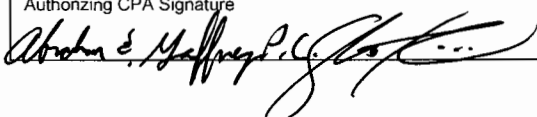
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 517.351.6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Steven R. Kirinovic, CPA	License Number 1101022020	

**Township of Dallas  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2006**

Township of Dallas  
Clinton County, Michigan  
March 31, 2006  
BOARD OF TRUSTEES

Clare A. Koenigsknecht	Supervisor
Marjorie R. Luttig	Clerk
Patricia A. Hafner	Treasurer
Ralph H. Feldpausch	Trustee
Philip W. Schafer	Trustee

Township of Dallas  
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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Township of Dallas  
Fowler, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Dallas, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township of Dallas's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Dallas as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information, as identified in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Government Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be a part of the basic financial statements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

July 25, 2006

## **BASIC FINANCIAL STATEMENTS**

Township of Dallas  
STATEMENT OF NET ASSETS  
March 31, 2006

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 39,912
Investments	340,000
Receivables	9,231
Due from other governmental units	949
	<hr/>
Total current assets	390,092
Noncurrent assets	
Capital assets not being depreciated	50,000
Capital assets, net of accumulated depreciation	191,311
	<hr/>
Total noncurrent assets	241,311
	<hr/>
TOTAL ASSETS	631,403
LIABILITIES	
Current liabilities	
Accounts payable	1,098
Accrued payroll	7,894
Accrued liabilities	604
Due to other governments	10,140
	<hr/>
TOTAL LIABILITIES	19,736
	<hr/>
NET ASSETS	
Invested in capital assets	241,311
Unrestricted	370,356
	<hr/>
TOTAL NET ASSETS	\$ 611,667
	<hr/> <hr/>

See accompanying notes to financial statements.

Township of Dallas

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
Governmental activities:				
General government	\$ 107,900	\$ 13,553	\$ 4,800	\$ (89,547)
Public safety	84,212	35,608	-	(48,604)
Public works	57,687	-	3,030	(54,657)
Health and welfare	2,968	-	-	(2,968)
Recreation and cultural	2,623	-	-	(2,623)
Community and economic development	350	-	-	(350)
Total governmental activities	<u>\$ 255,740</u>	<u>\$ 49,161</u>	<u>\$ 7,830</u>	(198,749)
General revenues:				
Property taxes				110,622
State shared revenue				80,169
Investment earnings				9,310
Other				<u>5,030</u>
Total general revenues				<u>205,131</u>
Change in net assets				6,382
Net assets, beginning of the year				<u>605,285</u>
Net assets, end of the year				<u>\$ 611,667</u>

See accompanying notes to financial statements.



Township of Dallas

GOVERNMENTAL FUND BALANCE SHEET

March 31, 2006

	General	Fire Department	Nonmajor Governmental Fund (Emergency Fire)	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 24,477	\$ 14,873	\$ 562	\$ 39,912
Investments	275,000	65,000	-	340,000
Accounts receivable	-	4,263	-	4,263
Accrued interest receivable	4,169	799	-	4,968
Due from other governmental units	641	308	-	949
<b>TOTAL ASSETS</b>	<u>\$ 304,287</u>	<u>\$ 85,243</u>	<u>\$ 562</u>	<u>\$ 390,092</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 221	\$ 877	\$ -	\$ 1,098
Accrued payroll	-	7,894	-	7,894
Accrued liabilities	-	604	-	604
Due to other governments	10,140	-	-	10,140
<b>TOTAL LIABILITIES</b>	10,361	9,375	-0-	19,736
<b>FUND BALANCE</b>				
Reserved for equipment purchases and training	-	-	562	562
Unreserved				
Designated for public improvements	140,000	-	-	140,000
Undesignated	153,926	75,868	-	229,794
<b>TOTAL FUND BALANCES</b>	<u>293,926</u>	<u>75,868</u>	<u>562</u>	<u>370,356</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 304,287</u>	<u>\$ 85,243</u>	<u>\$ 562</u>	<u>\$ 390,092</u>

See accompanying notes to financial statements.

Township of Dallas

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2006

**Fund balance - governmental fund** **\$ 370,356**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	442,373	
Accumulated depreciation is	<u>(201,062)</u>	
Capital assets, net		<u>241,311</u>

**Net assets of governmental activities** **\$ 611,667**

See accompanying notes to financial statements.

Township of Dallas

Governmental Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended March 31, 2006

	General	Fire Department	Nonmajor Governmental Fund (Emergency Fire)	Total Governmental Funds
REVENUES				
Taxes	\$ 81,078	\$ 29,544	\$ -	\$ 110,622
Intergovernmental - State	83,199	-	-	83,199
Charges for services	13,553	35,608	-	49,161
Interest	7,692	1,615	3	9,310
Other	896	3,784	350	5,030
TOTAL REVENUES	186,418	70,551	353	257,322
EXPENDITURES				
Current				
General government	83,785	-	-	83,785
Public safety	500	68,239	-	68,739
Public works	57,687	-	-	57,687
Health and welfare	2,968	-	-	2,968
Recreation and cultural	2,623	-	-	2,623
Community and economic development	350	-	-	350
Other	23,639	-	-	23,639
TOTAL EXPENDITURES	171,552	68,239	-0-	239,791
EXCESS OF REVENUES OVER EXPENDITURES	14,866	2,312	353	17,531
Fund balances, beginning of year	279,060	73,556	209	352,825
Fund balances, end of year	\$ 293,926	\$ 75,868	\$ 562	\$ 370,356

See accompanying notes to financial statements.

Township of Dallas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL  
FUND TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

**Net change in fund balance - governmental fund** **\$ 17,531**

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Capital outlay	\$ 3,729	
Depreciation expense	<u>(19,678)</u>	
Excess depreciation expense over capital outlay		(15,949)

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contribution	<u>4,800</u>
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**Change in net assets of governmental activities** **\$ 6,382**

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Dallas Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by generally accepted accounting principles; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Dallas. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Dallas contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Township as a whole.

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services that are restricted to meeting the operational requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major fund. Separate financial statements are provided for governmental funds.

The major funds of the Township are:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Fire Department Fund - The Fire Department Fund is used to account for the proceeds of the fire department revenue sources that are legally restricted to expenditures of the fire department.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The Government-wide financial statements are prepared using the accrual basis of accounting.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

5. Cash, cash equivalents, and investments

Cash and cash equivalents consist of checking and money market accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

6. Capital Assets

Capital assets include land, buildings and improvements, and equipment. Capital assets are stated at cost (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. All material purchases of assets with an estimated useful life of greater than one (1) year are capitalized. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 - 20 years
Building	40 years

Township of Dallas  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Due From Other Governmental Units

Due from other governmental units consists of amounts due from local units of government for property taxes collected that are still owed to the Township.

8. Property Taxes

Dallas Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for fire department operations. For the year ended March 31, 2006, the Township levied .9900 and .4763 mills per \$1,000 of assessed valuation for general governmental services and fire department operations, respectively. The total taxable value for the 2005 levy for property within the Township was \$62,106,506.

9. Budgets and Budgetary Accounting

The General Fund and Fire Department Fund budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. There were no amendments to the originally adopted budget.

10. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE B: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township of Dallas is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and investments at March 31, 2006, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash and cash equivalents		
Checking and money market accounts	\$ 39,912	\$ 40,266
Investments		
Certificates of deposit	<u>340,000</u>	<u>340,000</u>
	<u>\$ 379,912</u>	<u>\$ 380,266</u>

Deposits of the Township are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2006, the Township accounts were insured by the FDIC for \$290,266, and the amount of \$90,000 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.



Township of Dallas  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township did not have any investments that would be subject to rating.

Interest rate risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

**NOTE C: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance <u>April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2006</u>
Capital assets not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Capital assets being depreciated				
Building	21,673	-	-	21,673
Equipment	<u>362,171</u>	<u>8,529</u>	<u>-</u>	<u>370,700</u>
Subtotal	383,844	8,529	-0-	392,373
Less accumulated depreciation for:				
Building	( 18,622 )	( 76 )	-	( 18,698 )
Equipment	<u>( 162,762 )</u>	<u>( 19,602 )</u>	<u>-</u>	<u>( 182,364 )</u>
Total accumulated depreciation	<u>( 181,384 )</u>	<u>( 19,678 )</u>	<u>-0-</u>	<u>( 201,062 )</u>
Net capital assets being depreciated	<u>202,460</u>	<u>( 11,149 )</u>	<u>-0-</u>	<u>191,311</u>
Total net capital assets	<u>\$ 252,460</u>	<u>\$ ( 11,149 )</u>	<u>\$ -0-</u>	<u>\$ 241,311</u>

Depreciation expense was charged to the following governmental activities.

General government	\$ 476
Public safety	<u>19,202</u>
Total depreciation expense	<u>\$ 19,678</u>

Township of Dallas

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE D: RISK MANAGEMENT**

The Township is exposed to various risks of loss for business electronic equipment; in-land marine; dishonesty, disappearance, and destruction; supplemental fire equipment; firefighter sickness and accident, and crime/theft claims for which the Township carries commercial insurance.

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for various risks of loss including liability, wrongful acts, auto, crime and property and boiler losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

**NOTE E: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following is the fund balance reserves as of March 31, 2006:

Special Revenue Funds	
Emergency Fire	
Reserved for equipment purchases and training	\$ <u>562</u>

The following is the fund balance designation as of March 31, 2006:

General Fund	
Designated for public improvements	\$ <u>140,000</u>

**NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the required supplementary information to the financial statements, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level.

During the year ended March 31, 2006, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Other			
Recycle fee	\$ -	\$ 10,140	\$ 10,140

## **REQUIRED SUPPLEMENTARY INFORMATION**

## Township of Dallas

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes and fees				
Property taxes	\$ 62,500	\$ 62,500	\$ 63,539	\$ 1,039
Administration Fees	17,350	17,350	17,539	189
Total taxes	79,850	79,850	81,078	1,228
Intergovernmental - State				
State revenue sharing	79,000	79,000	80,169	1,169
Metro act	2,700	2,700	3,030	330
Total intergovernmental - State	81,700	81,700	83,199	1,499
Charges for services	3,000	3,000	13,553	10,553
Interest	5,000	5,000	7,692	2,692
Other	-	-	896	896
<b>TOTAL REVENUES</b>	<b>169,550</b>	<b>169,550</b>	<b>186,418</b>	<b>16,868</b>
<b>EXPENDITURES</b>				
General government				
Township board	6,100	6,100	5,759	341
Attorney and legal	1,000	1,000	-	1,000
Supervisor	14,020	14,020	13,861	159
Assessor	16,215	16,215	16,074	141
Clerk	19,350	19,350	19,198	152
Board of review	1,185	1,185	935	250
Treasurer	20,100	20,100	19,410	690
Elections	3,400	3,400	2,718	682
Township hall	8,000	8,000	5,156	2,844
Other	1,300	1,300	674	626
Total general government	90,670	90,670	83,785	6,885
Public safety	500	500	500	-0-

Township of Dallas

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public works				
Highways and streets	\$ 63,550	\$ 63,550	\$ 52,997	\$ 10,553
Drains	-	-	4,690	(4,690)
Total public works	63,550	63,550	57,687	5,863
Health and welfare	2,968	2,968	2,968	-0-
Recreation and cultural	3,075	3,075	2,623	452
Community and economic development	975	975	350	625
Other				
Employee benefits				
Pension	8,800	8,800	8,583	217
FICA and workmen's comp	5,400	5,400	4,916	484
Recycle fee	-	-	10,140	(10,140)
Other	5,000	5,000	-	5,000
Total other	19,200	19,200	23,639	(4,439)
TOTAL EXPENDITURES	180,938	180,938	171,552	9,386
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,388)	(11,388)	14,866	26,254
Fund balance, beginning of year	279,060	279,060	279,060	-0-
Fund balance, end of year	\$ 267,672	\$ 267,672	\$ 293,926	\$ 26,254

Township of Dallas

Fire Department Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes				
Current tax levy	\$ 29,500	\$ 29,500	\$ 29,544	\$ 44
Charges for services				
Fire and rescue runs and stand-by	37,000	37,000	35,608	(1,392)
Interest	500	500	1,615	1,115
Other	<u>2,300</u>	<u>2,300</u>	<u>3,784</u>	<u>1,484</u>
TOTAL REVENUES	69,300	69,300	70,551	1,251
EXPENDITURES				
Public safety	<u>68,500</u>	<u>68,500</u>	<u>68,239</u>	<u>261</u>
EXCESS OF REVENUES OVER EXPENDITURES	800	800	2,312	1,512
Fund balance, beginning of year	<u>73,556</u>	<u>73,556</u>	<u>73,556</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 74,356</u>	<u>\$ 74,356</u>	<u>\$ 75,868</u>	<u>\$ 1,512</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
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MANAGEMENT LETTER

To the Members of the Township Board  
Township of Dallas  
Fowler, Michigan

Dear Ladies/Gentlemen:

As you know, we recently completed our audit of the records of the Township of Dallas, Michigan as of and for the year ended March 31, 2006. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is the result of our evaluation of the internal control structure and our discussions with management.

1. The Board should amend the Township's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the Township has not amended their investment policy to address the reporting requirements of GASB Statement No. 40.

Deposit and investment resources often represent significant assets of the Township's governmental and fiduciary funds. These resources are necessary for the delivery of the Township's services and programs, or to carry out its fiduciary responsibilities. Effective for the year ended March 31, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated July 25, 2006.

This report is intended solely for the information and use of the administration of the Township of Dallas and should not be used for any other purpose.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

July 25, 2006